



September 17, 2007

Mary P. Levine  
Acting General Counsel/Director, Office of Legal Affairs  
Michigan Housing Development Authority  
725 East Michigan Avenue  
Lansing, MI 48909

**Re: Preliminary Comments on the Draft  
2008-09 QAP**

Dear Ms. Levine,

Detroit LISC would like to thank MSHDA for carrying out an improved process of public comment for the QAP. Our office is generally in support of the priorities established in the QAP in terms of the holdbacks. We are submitting comments today to highlight the most important issues we see with the draft QAP and will be following up these comments with testimony at the September 19<sup>th</sup> public hearing in Detroit and more detailed written comments.

**Improved process for public comments** – Detroit LISC would like to commend MSHDA for providing more opportunities for public comment in the form of the public hearing process conducted in the spring and the information session held in Flint on August 30<sup>th</sup>. It is clear that MSHDA incorporated a number of suggestions made by stakeholders from the spring session. Once the QAP is finalized, we would like to suggest the creation of a LIHTC roundtable, consisting of MSHDA staff and industry participants, for the purpose of providing a quarterly or semi-annual discussion of issues affecting the program.

**Public policy analysis underpinning QAP strategy** – MSHDA has made a substantial improvement in communicating how it used data and its policy objectives to craft revisions to the QAP. Detroit LISC is supportive of the policy objectives that stress revitalization of urban centers, fighting poverty, the importance of CDC's, and providing resources for supportive housing. The policy objectives re-orient the QAP as a resource for neighborhood development as compared to a resource that is scattered throughout the state without a strong focus. Unfortunately, there is a limited amount of State and Federal resources for affordable housing so there is a lot of stress on the LIHTC program to respond to a large number of policy issues. We feel that MSHDA has selected important priorities with which to focus the LIHTC program.

As MSHDA notes in the QAP, Section 42 calls for projects serving the lowest income tenants and projects obligated to serve qualified tenants for the longest period. The lottery did not ensure that. In Detroit, over the past three years, we have seen more LIHTC units at 50% and 60% of median income levels (this is also a factor of the amount of subsidy available, which is noted below). Detroit LISC supports a QAP that encourages a better diversity of very low-income and low-income units.

**Creating a merit based system for the allocation of credits** – Eliminating the lottery and returning to a scoring based system is consistent with the comments made by Detroit LISC as part of the spring public hearings. Past critiques of the scoring system have focused on the idea that applications evolve into a game of chasing points. We encourage MSHDA to streamline the scoring structure so that the most important priorities listed in the QAP drive the formation of projects. Developers undertake substantial expense in order to develop the best possible proposals and a merit-based system provides a strong level of confidence that the highest quality proposals will be awarded credits. Because the amount of credits is limited, it is possible that quality projects will not be awarded credits. But that is an issue with the amount of the resource, not MSHDA's objectives.

**Supportive Housing** – Detroit LISC strongly supports the production of affordable housing for residents that are considered part of a special needs population, and a strategy as outlined in the QAP that seeks to bring together the resources of MSHDA to help broker strategies for successful supportive housing developments. There are a few issues we ask that MSDHA look at more closely:

- \* Sufficient financial resources: the amount of subsidy on the development and operating sides is limited. In Detroit, the City has not allocated HOME funds for new LIHTC projects in four years and the Detroit Housing Commission has not been allocating project based Section 8 for developments outside of its own portfolio.
- \* Connecting supportive housing to long-term neighborhood development plans: analysis of supportive housing projects should emphasize a strong link between the needs of the residents in the neighborhood (or within a city or county) as well as with the long term objectives of the developer.
- \* Strong developers and strong social services – the review process should emphasize developers that can demonstrate a strong commitment and track record with special needs populations, and ones that have successful partnerships with agencies that provide a rich menu of services for these types of projects.
- \* Ten percent requirement – Detroit LISC has concerns around the requirement that projects not within a supportive housing holdback must have a minimum of ten percent of units set aside for special needs residents. It may be difficult to build a sustainable long-term program for ten percent projects. And developers with limited experience and limited interest in building supportive housing may have to, leading to a scenario where there is not a strong commitment on the part of the developer to the success of the residents in the units. Also, the ten percent requirement as a mandate does not allow for situations in which specific affordable housing projects without a special needs population can be part of a neighborhood development strategy.

**Single-Family Rehab** – we ask that the prohibition on single-family rehab be removed. Single-family rehab can be part of a larger neighborhood development strategy; the importance of this tool has increased with the tougher economic climate. Public officials and neighborhood leaders are grappling with responses to the neighborhood impact of foreclosures and distressed single-family stock sitting next to stronger community assets. One CDC in Detroit has been cited as a success story for its concentration of new development (LIHTC and homeownership) about a mile away from one of the City's stronger middle class neighborhoods (one designated under the City's NDNI program). In between the CDC's targeted initiatives and the NDNI area is an area full of blocks of stable housing that is now under pressure, where in the last two years there has been an increase in vacant homes due to foreclosure and other economic issues. With a single-family rehab strategy, the CDC has the ability to stem the deterioration of housing at an early stage and maintain the stability of the neighborhood, while at the same time reinforcing the area where it has been conducting its new construction activities and reinforcing the NDNI community. A single-family rehab model using tax credits has been successfully used in other parts of the country; our office is compiling information on models to present to MSHDA.

**Two rounds a year** - many stakeholders called for two rounds a year and MSHDA responded by maintaining that schedule for 2008 and 2009. As for another round in 2007, we believe that it will be difficult to process. Even a round held in October would not have decisions made until 2008, when a new QAP should be in place. Furthermore, all of the 2007 credits are being allocated with the current round. We believe 2008 credits should be allocated under the new QAP. Also, a December round may be too soon, given that the final QAP will not be available until the end of October at the earliest, and that provides a short turnaround for developers, especially given the scope of changes. We feel that it would be better to advance the timeline for the first round of 2008, so that the next round can be conducted in a way that provides time for developers to assemble quality projects and allows MSHDA to establish its own internal processes to efficiently manage the round.

**Concentration of LIHTC projects** - Could the QAP policy lead to an over concentration of tax credit projects in urban areas? In most Detroit neighborhoods, tax credit rents at the 50% and higher levels are the market. At that level of rent, the issue is not so much a question of concentrating poverty, it's more of a question of concentration of rental as compared to for-sale. In some communities, there can be a substantial appetite for tax credit housing, especially in areas in which the quality of existing housing is an important issue. Detroit LISC would like to see MSHDA take the amount of existing, quality rental housing into consideration when analyzing projects, with the intent to insure that appropriate opportunities remain for a homeownership strategy. Within the context of supportive housing, a concentration of special needs housing in a single neighborhood over several projects would deserve consideration if that neighborhood is taking on an undue burden of supportive housing units. That is a complex question. Certainly, a concentration of supportive housing can be a positive for a community, for example if there are a number of projects supporting a variety of special

needs populations and if there is strong asset management combined with a strong social service program.

**Cure Period and Shelf Life** – good idea for the cure period (another example of MSHDA listening to stakeholders). Detroit LISC would like MSHDA to give further consideration to extending the shelf life of market and environmental studies to a year. Perhaps concerns over that extension on the part of MSHDA could be alleviated by some type of certification by the developer or the market/environmental firm attesting to the lack of any material change for reports older than six months.

**LIHTC Allocation Limits** – clarification is needed on the maximum number of applications from a sponsor and the maximum award of credits:

- \* Maximum of two applications per round from a sponsor – what is the definition of a sponsor? How does this apply to sponsors that submit applications on their own and then submit applications that are part of a partnership? Also, consideration should be given to the idea that a cap at the level of three or four applications might be more appropriate.
- \* Maximum amount of credits for a single project – these amounts (30% is cited for some of the holdbacks) seem to conflict with the provision that a single sponsor may not receive an allocation greater than 10%. Consideration should be given to the idea that 30% for a single project is too high. These percentages as listed in the QAP are based on the annual credit available.

### Questions

- \* At the Flint forum, MSHDA staff stated that the minimum number of units required for a project in a supportive housing holdback is 35%. Can this be confirmed at the public hearings?
- \* For a Detroit/Hamtramck/Highland Park project with a special needs population other than homelessness – can the developer apply under the supportive housing holdback?
- \* Must all supportive housing units have rents at 30% of median or less?
- \* Holdbacks amount to 95% of the credits – how will the other 5% of credits be allocated?

Detroit LISC thanks MSHDA for the opportunity to comment on the draft QAP and we look forward to participating in the upcoming September 19<sup>th</sup> public hearing in Detroit.

Sincerely,

*Deborah Younger*

Deborah Younger  
Executive Director